JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

(DEMARCATION CODE: DC45)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019
AUDITOR-GENERAL OF SOUTH AFRICA

General Information

Legal form of entity	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act (Act No, 117 of 1998).
Nature of business and principal activities	John Taolo Gaetsewe Municipality is a district municipality performing the functions as set out in the Constitution (Act no 105 of 1996).
Jurisdiction	The John Taolo Gaetsewe Municipality includes the municipal areas of Gamagara Municipality, Ga-Segonyana Municipality and Joe Morolong Municipality. Demarcation code - DC45 John Gaetsewe
Mayoral committee	
Executive Mayor	S. Mosikatsi
Executive Councillors	Bloem S.N. (Resigned 23 May 2019)
	Hantise O.E.
	Masilabele K.F.
	Hantise O.E.
	Mogatle P.Q
	Monaki O.G.
Councillors	Anthony T.G
	Booysen A.
	Du Plessis H.
	Gomolemo N.
	Gwai L.B
	Kaebis L.
	Kaotsane G.G
	Kgopodithata O.H
	Leserwane O.A
	Makwati K.R
	Matebese I.
	Mathibe O.D
	Molwagae T.F
	Ohentswe P.J
	Van Der Westhuizen A.W.P
Grading of local authority	3
Speaker	P.Q. Mogatle
Chief Finance Officer	G.P. Moroane
Accounting Officer	D.H. Molaole
	P.O. Box 1480
Registered office	
	Kuruman 8460
Business address	4 Federale Mynbou Street Kuruman 8460

General Information

Primary bankers	The Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa
Attorneys	Neville Cloete Attorneys Incorporated Kolkanyang Incorporated Sefumba Attorneys Incorporated

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The reports and statements set out below comprise the Annual Financial Statements presented to the Provincial Legislature:

COGHSTA	Northen Cape Department: Co-operative Governance, Human Settlements and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MPAC	Municipal Public Accounts Committee
MSA	Municipal Systems Act
MStA	Municipal Structures Act
RDP	Reconstruction and development programme

Accounting Officer's Responsibilities and Approval

The Municipal Manager is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Municipal Manager to ensure that the Annual Financial Statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and was given unrestricted access to all financial records and related data.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Municipal Manager acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable the Municipal Manager to meet these responsibilities, the Municipal Manager sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Municipal Manager is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Municipal Manager has reviewed the Municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Municipality is wholly dependent on the Government for continued funding of operations. The Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the Municipality.

Although the Municipal Manager are primarily responsible for the financial affairs of the Municipality, they are supported by the Municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the Municipality's Annual Financial Statements.

The Annual Financial Statements have been prepared on the going concern basis, were approved by the Municipal Manager on 30 August 2019 and were signed on its behalf by:

D.H. Molaole
Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year, 5 meetings were held.

Name of member	Number of meetings attended
Mr R. Tshimomola (Acting Chairperson)	5
Ms L. Dhlamini (Chairperson)- until 31 July 2018	3
Mrs S. Ngobeni- until 31 October 2018	0
Mr S. Simelane	2
Mr F. Buys	3

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as per its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Municipal Manager of the Municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited Annual Financial Statements to be included in the annual report, with the Auditor-General and the Municipal Manager;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ______________________________

Report

The Municipal Manager submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

John Taolo Gaetsewe District Municipality is a district municipality performing the functions as set out in the constitution (act no 105 of 1996) and operates principally in South Africa.

The operating results and state of affairs of the Municipality are fully set out in the attached Annual Financial Statements and do not in our opinion require any further comment.

2. Going concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Municipality to continue as a going concern is dependent on a number of factors. The most significant of these is the ability of the Municipality Manager to continue procuring funding for the ongoing operations of the Municipality.

3. Subsequent events

The Municipality Manager is not aware of any matter or circumstance arising since the end of the financial year.

4. Municipal Manager's interest in contracts

The Municipal Manager did not have an interest in any of the contracts entered into during the current financial year.

5. Accounting policies

The Annual Financial Statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board and as per the prescribed framework by National Treasury.

6. Non-current assets

No major changes in the nature or the policy relating to the use of the non-current assets of the Municipality occurred during the year.

7. Municipal Manager

The Municipal Manager of the Municipality during the year and to the date of this report is as follows:

Name	Nationality
D.H. Molaole	South Africa

8. Bankers

Accounts were held with The Standard Bank of South Africa Limited (being the primary bankers), as well as investment accounts with First National Bank (a division of First Rand Bank Limited), and Nedbank during the year.

9. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
ASSETS			
Current Assets			
Cash and cash equivalents	3	2 367 091	97 393
Receivables from exchange transactions	4	11 204 787	11 424 206
Receivables from non-exchange transactions	5	94 055	1 041 000
Inventories	6	8 539 763	8 491 346
VAT receivable	46	493 505	36 064
		22 699 201	**21 090 009**
Non-Current Assets			
Biological assets	7	4 292 620	6 842 282
Investment property	8	6 020 000	6 664 000
Property, plant and equipment	9	72 354 792	74 774 322
Intangible assets	10	2 576 112	391 498
Heritage assets	11	19 750	19 750
		85 263 274	**88 691 852**
Total Assets		**107 962 475**	**109 781 861**
LIABILITIES			
Current Liabilities			
Other financial liabilities	12	395 123	475 216
Finance lease obligation	13	228 729	161 846
Payables from exchange transactions	14	8 897 749	14 992 521
Employee benefit obligation	15	656 987	741 875
Unspent conditional grants and receipts	16	410 685	616 643
Provisions	17	-	2 409 759
		10 689 273	**19 397 860**
Non-Current Liabilities			
Other financial liabilities	12	810 545	1 007 987
Finance lease obligation	13	268 013	496 742
Employee benefit obligation	15	4 702 101	4 127 057
		5 780 659	**5 631 786**
Total Liabilities		**16 469 932**	**25 029 646**
NET ASSETS		**91 492 543**	**84 752 215**
Revaluation reserve	18	55 386 620	55 386 620
Accumulated surplus		36 105 923	29 365 595
TOTAL NET ASSETS		**91 492 543**	**84 752 215**

* See Note 47

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
REVENUE			
Revenue from exchange transactions			
Sale of goods		7 800	75 000
Rental of facilities	19	118 862	105 916
Administration and management fees received	20	2 640 723	2 548 363
Interest received	21	1 881 256	1 354 111
Total revenue from exchange transactions		**4 648 641**	**4 083 390**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	22	97 865 731	80 534 670
Donations received	23	345 974	60 296
Other income		142 154	-
Total revenue from non-exchange transactions		**98 353 859**	**80 594 966**
Total revenue		**103 002 500**	**84 678 356**
EXPENDITURE			
Employee related costs	24	(56 654 287)	(55 502 254)
Remuneration of councillors	25	(4 944 453)	(4 837 257)
Depreciation and amortisation	26	(3 343 378)	(3 139 487)
Impairment loss		-	(282 097)
Finance costs	27	(743 970)	(896 069)
Debt Impairment	28	(948 994)	(142 040)
Transfers and subsidies	29	(198 948)	(1 849 450)
Operational costs	30	(29 082 538)	(25 304 766)
Total expenditure		**(95 916 568)**	**(91 953 420)**
Operating Surplus/(Deficit)		**7 085 932**	**(7 275 064)**
Loss on disposal of assets and liabilities		-	(261 412)
Fair value adjustments	31	(3 193 662)	1 380 455
Actuarial gains	15	422 461	-
Gain on assets previously not on asset register		15 840	437 864
Derecognition of prior year provision		2 409 759	-
		(345 602)	**1 556 907**
Surplus/ (Deficit) for the year		**6 740 330**	**(5 718 157)**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2017	**55 386 620**	**35 083 752**	**90 470 372**
Changes in net assets			
Deficit for the year	-	(5 718 157)	(5 718 157)
Total changes	-	(5 718 157)	(5 718 157)
Restated* Balance at 01 July 2018	**55 386 620**	**29 365 593**	**84 752 213**
Changes in net assets			
Surplus for the year	-	6 740 330	6 740 330
Total changes	-	6 740 330	6 740 330
Balance at 30 June 2019	**55 386 620**	**36 105 923**	**91 492 543**
Note(s)	16		

* See Note 47

Statement of Cash Flow

Figures in Rand	Note(s)	2019	2018 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		3 142 749	4 901 590
Grants		97 542 000	79 487 000
Interest income		1 881 256	1 354 111
		102 566 005	85 742 701
Payments			
Employee costs		(61 598 740)	(59 734 237)
Suppliers		(35 133 602)	(23 390 365)
Finance costs		(347 281)	-
		(97 079 623)	(83 124 602)
Net cash flows from operating activities	32	**5 486 382**	**2 618 099**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(268 724)	(1 465 518)
Purchase of other intangible assets	10	(2 508 579)	(9 898)
Net cash flows from investing activities		**(2 777 303)**	**(1 475 416)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other financial liabilities		(277 535)	(252 604)
Finance lease payments		(161 846)	(44 412)
Finance lease costs		-	(896 069)
Net cash flows from financing activities		**(439 381)**	**(1 193 085)**
Net increase/(decrease) in cash and cash equivalents		**2 269 698**	**(50 402)**
Cash and cash equivalents at the beginning of the year		97 393	147 795
Cash and cash equivalents at the end of the year	3	**2 367 091**	**97 393**

* See Note 47

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
Revenue from exchange transactions						
Sale of goods	-	-	-	7 800	7 800	
Rental of facilities	216 000	(91 872)	124 128	118 862	(5 266)	1
Administration and management fees received	5 917 146	967 045	6 884 191	2 640 723	(4 243 468)	2
Interest received	251 898	840 689	1 092 587	1 881 256	788 669	3
Total revenue from exchange transactions	**6 385 044**	**1 715 862**	**8 100 906**	**4 648 641**	**(3 452 265)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	94 024 000	1 502 978	95 526 978	97 865 731	2 338 753	4
Public contributions and donations	-	-	-	345 974	345 974	
Other transfer revenue 1	-	-	-	142 154	142 154	
Total revenue from non-exchange transactions	**94 024 000**	**1 502 978**	**95 526 978**	**98 353 859**	**2 826 881**	
Total revenue	**100 409 044**	**3 218 840**	**103 627 884**	**103 002 500**	**(625 384)**	
EXPENDITURE						
Employee related costs	(61 935 453)	3 414 692	(58 520 761)	(56 654 287)	1 866 474	5
Remuneration of councillors	(4 144 541)	(32 415)	(4 176 956)	(4 944 453)	(767 497)	6
Depreciation and amortisation	(2 954 128)	(2 111 510)	(5 065 638)	(3 343 378)	1 722 260	7
Finance costs	-	-	-	(743 970)	(743 970)	9
Debt Impairment	-	(917 984)	(917 984)	(948 994)	(31 010)	10
Transfers and Subsidies	(200 000)	(98 948)	(298 948)	(198 948)	100 000	12
Operational costs	(28 029 322)	(264 615)	(28 293 937)	(18 053 819)	10 240 118	13
Other material	(2 375 600)	(1 114 431)	(3 490 031)	-	3 490 031	
Total expenditure	**(99 639 044)**	**(1 125 211)**	**(100 764 255)**	**(84 887 849)**	**15 876 406**	
Operating surplus	**770 000**	**2 093 629**	**2 863 629**	**18 114 651**	**15 251 022**	
Fair value adjustment	-	-	-	(3 193 662)	(3 193 662)	15
Actuarial gain	-	-	-	422 461	422 461	16
Derecognition of prior year provision	-	-	-	2 409 759	2 409 759	
Inventories losses/write-downs	-	-	-	15 840	15 840	
	-	-	-	(345 602)	(345 602)	
Surplus for the year	**770 000**	**2 093 629**	**2 863 629**	**17 769 049**	**14 905 420**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**770 000**	**2 093 629**	**2 863 629**	**17 769 049**	**14 905 420**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
STATEMENT OF FINANCIAL POSITION						
Assets						
Current Assets						
Inventories	-	11 552 959	11 552 959	8 539 763	(3 013 196)	1
Receivables from exchange transactions	18 145 678	14 015 000	32 160 678	11 204 787	(20 955 891)	2
Receivables from non-exchange transactions	-	-	-	94 055	94 055	3
VAT receivable	-	-	-	493 505	493 505	
Cash and cash equivalents	7 396 000	2 428 000	9 824 000	2 367 091	(7 456 909)	4
	25 541 678	27 995 959	53 537 637	22 699 201	(30 838 436)	
Non-Current Assets						
Biological assets	-	5 462 000	5 462 000	4 292 620	(1 169 380)	5
Investment property	-	6 664 000	6 664 000	6 020 000	(644 000)	6
Property, plant and equipment	69 204 281	76 403 304	145 607 585	72 354 792	(73 252 793)	7
Intangible assets	-	2 531 325	2 531 325	2 576 112	44 787	8
Heritage assets	-	-	-	19 750	19 750	9
Other asset	-	20 000	20 000	-	(20 000)	
	69 204 281	91 080 629	160 284 910	85 263 274	(75 021 636)	
Total Assets	94 745 959	119 076 588	213 822 547	107 962 475	(105 860 072)	
Liabilities						
Current Liabilities						
Other financial liabilities	515 823	-	515 823	395 123	(120 700)	10
Finance lease obligation	-	-	-	228 729	228 729	11
Payables from exchange transactions	16 774 497	7 116 798	23 891 295	8 997 747	(14 893 548)	12
Employee benefit obligation	-	-	-	656 987	656 987	14
Unspent conditional grants and receipts	-	-	-	410 685	410 685	15
Provisions	-	7 496 845	7 496 845	-	(7 496 845)	16
	17 290 320	14 613 643	31 903 963	10 689 271	(21 214 692)	
Non-Current Liabilities						
Other financial liabilities	1 373 610	1 286 000	2 659 610	810 545	(1 849 065)	10
Finance lease obligation	-	-	-	268 013	268 013	11
Employee benefit obligation	-	-	-	4 702 101	4 702 101	14
Provisions	8 362 665	-	8 362 665	-	(8 362 665)	
	9 736 275	1 286 000	11 022 275	5 780 659	(5 241 616)	
Total Liabilities	27 026 595	15 899 643	42 926 238	16 469 930	(26 456 308)	
NET ASSETS	67 719 364	103 176 945	170 896 309	91 492 545	(79 403 764)	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
NET ASSETS						
Reserves						
Revaluation reserve	37 824 288	35 416 650	73 240 938	55 386 620	(17 854 318)	
Accumulated surplus	33 939 283	63 716 088	97 655 371	36 105 923	(61 549 448)	
Total Net Assets	**71 763 571**	**99 132 738**	**170 896 309**	**91 492 543**	**(79 403 766)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These Annual Financial Statements have been prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

Receivables

The Municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

An independent, qualified valuer will be appointed where necessary, for example in estimating the fair value of investment property or biological assets.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

Value in use of cash generating assets

The Municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of property, plant and equipment and other assets

The Municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives..

Post retirement benefits and other long-term benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The Municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve..

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

The Municipality used the prime interest rate to discount future cash flows except for long term borrowings or finance leases, where the contractually agreed or implied interest rate is used.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Biological assets

The Municipality recognises biological assets or agricultural produce when, and only when:
- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.4 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:
- managements' intended usage of the property; and
- the extent to which it is owner occupied.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for buildings, community assets - buildings, community assets - land, which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Accounting Policies

1.5 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The depreciation charge for each period is recognised in surplus or deficit.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	20 - 30 years
Community assets - buildings	Straight line	20 - 30 years
Community assets - land	Straight line	Indefinite
Disaster unit - buildings	Straight line	5 - 30 years
Furniture and fittings	Straight line	5 - 30 years
IT equipment	Straight line	5 - 30 years
Land	Straight line	Indefinite
Leased assets	Straight line	3 - 8 years
Motor vehicles	Straight line	5 - 15 years
Office equipment	Straight line	5 - 30 years
Other property, plant and equipment	Straight line	2 - 25 years

The Municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Assets of the municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The Municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The Municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially measured at cost

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	5 - 10 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Accounting Policies

1.7 Heritage assets (continued)

The Municipality recognises heritage assets as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value can be measured reliably.

When the Municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in note 12 - Heritage assets.

Heritage assets are initially measured at cost.

When a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

The Municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The Municipality derecognises heritage assets on disposal, or when no future economic benefits or service potential are expected from its used or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

1.8 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented municipality.

Criteria developed by the Municipality to distinguish cash-generating assets from non-cash-generating assets are as follows: as the Municipality is a district Municipality, it does not hold assets which are specifically used to generate revenue (e.g. infrastructure relating to utilities), other than the farm used to hold biological assets. Other revenue generated by the Municipality is in exchange for services provided, for which the related assets (furniture, office equipment, etc.) are interchangeable with the assets used for non-cash generating activities.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The Municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

When estimating the value in use of an asset, the Municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the Municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the Municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the Municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: as the municipality is a district Municipality, it does not hold assets which are specifically used to generate revenue (e.g. infrastructure relating to utilities), other than the farm used to hold biological assets. Revenue generated by the Municipality is in exchange for services provided, for which the related assets (furniture, office equipment, etc.) are interchangeable with the assets used for non-cash generating activities; all such interchangeable assets are deemed to be non-cash generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The Municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the Municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.9 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one Municipality and a financial liability or a residual interest of another Municipality.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Unspent conditional grants and receipts and grants receivable	Financial liability measured at fair value

Initial recognition

The Municipality recognises a financial asset or a financial liability in its statement of financial position when the Municipality becomes a party to the contractual provisions of the instrument.

The Municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The Municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.10 Financial Instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The Municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the Municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an Municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The Municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.10 Financial Instruments (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

The Municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality :
  3 derecognise the asset; and
  3 recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another Municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Current replacement cost is the cost the Municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Accounting Policies

1.11 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the Municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Value-added Tax (VAT)

The Municipality is registered with the South African Revenue Services (SARS) for VAT on the invoice basis, in accordance with Section 15(1) of the VAT Act No.89 of 1991.

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The Municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognise the expected cost of bonus, incentive and performance related payments when the Municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an Municipality pays fixed contributions into a separate Municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an Municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The Municipality has an obligation to provide other long-term service allowance benefits to the majority of its employees.

The Municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The Municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

Accounting Policies

1.14 Provisions and contingencies

Provisions are recognised when:

- the Municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an Municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The amounts disclosed as contingent liabilities or assets shall be the best estimate of the expenditure required to settle the obligation, or benefits to be obtained at the reporting date. The estimate may be based on guidance from experts, such as attorneys. Where it is not practicable to engage an expert, and it is not practicable to determine expected values with any certainty, the gross amount of a claim or dispute will be disclosed.

1.15 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.dditional text

Accounting Policies

1.16 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve.

On disposal, the net revaluation surplus is transferred to the accumulated surplus / deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.17 Accounting by principals and agents

Identification

A principal-agent arrangement results from a binding arrangement in which one municipality (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another municipality (the principal).

Identifying whether an entity is a principal or an agent

The assessment of whether a Municipality is a principal or an agent requires the Municipality to assess whether the transactions it undertakes with third parties are for the benefit of another municipality or for its own benefit.

Binding arrangement

The Municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

The Municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the Municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The Municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the Municipality is an agent.

Recognition

The Municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The Municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The Municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.18 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

Revenue arising from the use by others of municipality assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.19 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a Municipality either receives value from another Municipality without directly giving approximately equal value in exchange, or gives value to another Municipality without directly receiving approximately equal value in exchange.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the Municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the Municipality.

When, as a result of a non-exchange transaction, the Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

The Municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The Municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the Municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the Municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the Municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the Municipality disclose the nature and type of services in-kind received during the reporting period.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an Municipality in connection with the borrowing of funds.

Accounting Policies

1.20 Borrowing costs (continued)

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.21 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessor

The Municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the Municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the Municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are expensed in the period in which they are incurred.

Accounting Policies

1.22 Grant in aid

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the Municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24 Commitments

Items are classified as commitments when an municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.28 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The Statement of comparative and actual information has been included in the Annual Financial Statements as the recommended disclosure when the Annual Financial Statements and the budget are on the same basis of accounting as determined by National Treasury.

1.29 Related parties

A related party is a person or an municipality with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an Municipality that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the Municipality, including those charged with the governance of the Municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.30 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and Interpretations (continued)

• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

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3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 949	1 968
Bank balance	729 585	89 076
Short-term deposits	1 635 557	6 349
	2 367 091	**97 393**

The municipality had the following bank accounts and cash on hand:

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Standard Bank Limited - current account - 024-0923-804	729 585	89 076	136 971	729 585	89 076	136 971
First National Bank - call account - 62016341208	-	-	1 294	-	-	1 294
First National Bank - call account - 62047254272	-	-	2 261	-	-	2 261
Standard Bank Limited - call account - 508871603-011	-	-	787	-	-	787
First National Bank - medium term deposit - 7100-2746-116	-	6 349	6 018	-	6 349	6 018
Standard Bank- Call Account- 508871603-016	538 806	-	-	538 806	-	-
Standard Bank- Call Account- 508871603-019	496 434	-	-	496 434	-	-
Standard Bank- Call Account- 508871603-020	600 317	-	-	600 317	-	-
Cash on hand	1 949	1 968	1 000	1 949	1 968	1 000
Total	**2 367 091**	**97 393**	**148 331**	**2 367 091**	**97 393**	**148 331**

4. Receivables from exchange transactions

Trade debtors	11 204 787	11 063 083
Irregular expenditure	-	361 123
	11 204 787	**11 424 206**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

4. Receivables from exchange transactions (continued)

Trade and other receivables pledged as security

Trade and other receivables were not pledged as security.

	2019	2018
Current (0 - 30 days)	932 176	689 577
31 - 60 Days	82 749	102 206
61 - 90 Days	81 121	410 918
+ 90 Days	11 550 761	10 353 408
Allowance for impairment	(1 442 020)	(493 026)
	11 204 787	**11 063 083**

Summary of receivables by customer classification	Other	Organs of state	Total
30 June 2019			
Current (0 - 30 days)	16 663	915 514	932 177
31 - 60 Days	14 249	68 500	82 749
61 - 90 Days	12 621	68 500	81 121
+ 90 Days	1 439 373	10 111 387	11 550 760
Allowance for impairment	(1 442 020)	-	(1 442 020)
	40 886	**11 163 901**	**11 204 787**

Summary of receivables by customer classification	Other	Organs of state	Total
30 June 2018			
Current (0 - 30 days)	20 693	668 884	689 577
31 - 60 Days	16 190	86 016	102 206
61 - 90 Days	12 523	398 395	410 918
+ 90 Days	486 437	9 866 971	10 353 408
Allowance for impairment	(493 026)	-	(493 026)
	42 817	**11 020 266**	**11 063 083**

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates.

Trade and other receivables past due but not impaired

Impairment is provided for all individual accounts which are more than one month past due. The full amount is not impaired and variable rates are used on each individual account depending on the risk profile of the account. National and Provincial Government accounts are not impaired. At 30 June 2019, R 10 373 830 (2018: R10,351,382) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2019	2018
1 month past due	174 272	86 016
2 months past due	78 836	398 395
3 months or more past due	10 120 722	9 866 971

5. Receivables from non-exchange transactions

	2019	2018
Receivable from grants	94 055	1 041 000

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Receivables from exchange transactions (continued)

Receivables from non exchange transactions are in relation to amounts owed to the municipality by Provincial and National Treasury for Grants.

6. Inventories

	2019	2018
Consumable stores	48 417	-
Properties to be transferred	8 491 346	8 491 346
	8 539 763	**8 491 346**

Inventory pledged as security

Inventory was not pledged as security.

7. Biological assets

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - game	4 292 620	-	4 292 620	6 842 282	-	6 842 282

Reconciliation of biological assets - 2019

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - game	6 842 282	(2 549 662)	4 292 620

Reconciliation of biological assets - 2018

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - game	5 461 827	1 380 455	6 842 282

Notes to the Annual Financial Statements

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7. Biological assets (continued)

Non-financial information

Quantities of each biological asset		
Blesbok	7	21
Blue wildebeest	476	650
Duiker	28	4
Eland	47	81
Gemsbok	189	258
Greater Kudu	-	1
Ibex	46	13
Ostrich	61	45
Red hartebeest	27	34
Springbuck	354	201
Warthog	-	3
Zebra	23	42
	1 258	**1 353**

The biological assets were valued by JBFE Consulting (Pty) LTD,an independent professional valuer.

Game is valued using officially listed and publicised game auction data and numbers. An active market exists for game but some species have no commercial value and are counted but not valued for trading. These are reflected in the listing below.

Animals with no commercial value

Bat-eared fox	-	5
Black backed jackal	13	-
Vultures	-	7
Domestic cattle	9	-
Domestic horses	5	-
Domestic goat	9	-
Warthog	5	-
	41	**12**

Domestic animals on the farm are known to belong to members of the community, and are not considered to be assets of the municipality.

The key assumption in the valuation method used is that genetic variation in species are excluded from the valuation. This means that rare species types sales values are excluded as their pricing is not a fair reflection of the game populations value.

The increase could be due to changes in environmental factors such as rainfall, which resulted in an incline in population numbers.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Pledged as security

The biological assets are not pledged as security.

Methods and assumptions used in determining fair value

The fair value represents the market values for biological assets that are traded on active markets in the Northern Cape.

Notes to the Annual Financial Statements

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8. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6 020 000	-	6 020 000	6 664 000	-	6 664 000

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	6 664 000	(644 000)	6 020 000

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	6 664 000	6 664 000

Pledged as security

The investment property is not pledged as security.

Details of property

	2019	2018
Erf 2617 - Kuruman - Campus Freehold ownership property in the Kuruman registration division. Site area is 1190m². Title deed No. T1049/1993, previously T610/1978. Registration date is 15 June 1978 with conditions and servitudes in accordance with Erf 2617 which is a consolidation of erven 1105 and 1106. - Valuation since purchase	2 270 000	3 200 000
Erf 938 Kuruman - Offices let to the John Taolo Gaetsewe Development Trust Property in the Northern Cape province with title deed number T416/1996. Site area is 1190m². - Valuation	1 660 000	2 100 000
Erf 4439 Kuruman - Vacant stand Property in the Northern Cape province with title deed number T26/2011 previously T25/2011. Site area is 17052m². - Valuation	2 090 000	1 364 000

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9. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	21 285 265	(2 078 367)	19 206 898	21 285 265	(1 068 934)	20 216 331
Community assets - buildings	910 000	(88 725)	821 275	910 000	(45 500)	864 500
Community assets - land	38 590 001	-	38 590 001	38 590 001	-	38 590 001
Disaster unit - building	2 536 834	(247 342)	2 289 492	2 536 834	(126 842)	2 409 992
Disaster unit Land	580 000	-	580 000	580 000	-	580 000
Furniture and fittings	4 796 038	(2 281 613)	2 514 425	4 765 923	(1 922 941)	2 842 982
IT equipment	6 391 763	(4 261 137)	2 130 626	5 930 082	(3 629 168)	2 300 914
Land	2 680 000	-	2 680 000	2 680 000	-	2 680 000
Leased assets	680 848	(242 849)	437 999	680 848	(23 849)	656 999
Motor vehicles	7 582 244	(4 790 449)	2 791 795	7 582 244	(4 213 751)	3 368 493
Office equipment	575 727	(339 741)	235 986	476 893	(283 642)	193 251
Other property, plant and equipment	142 802	(66 507)	76 295	119 907	(49 048)	70 859
Total	**86 751 522**	**(14 396 730)**	**72 354 792**	**86 137 997**	**(11 363 675)**	**74 774 322**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Depreciation	Total
Land	2 680 000	-	-	2 680 000
Buildings	20 216 331	-	(1 009 433)	19 206 898
Furniture and fixtures	2 842 982	30 969	(359 526)	2 514 425
Motor vehicles	3 368 493	-	(576 698)	2 791 795
Office equipment	193 251	99 000	(56 265)	235 986
IT equipment	2 300 914	461 503	(631 791)	2 130 626
Community assets - land	38 590 001	-	-	38 590 001
Community assets - buildings	864 500	-	(43 225)	821 275
Disaster unit - building	2 409 992	-	(120 500)	2 289 492
Disaster unit Land	580 000	-	-	580 000
Leased assets	656 999	-	(219 000)	437 999
Other property, plant and equipment	70 859	23 226	(17 790)	76 295
	74 774 322	**614 698**	**(3 034 228)**	**72 354 792**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Assets no longer in use	Prior period adjustments	Depreciation	Impairment loss	Total
Land	2 680 000	-	-	-	-	-	2 680 00
Buildings	21 278 837	-	-	-	(1 062 506)	-	20 216 33
Furniture and fixtures	2 896 653	306 008	(3 076)	854	(324 013)	(33 444)	2 842 98
Motor vehicles	3 496 669	1 272 000	(500 429)	1	(718 543)	(181 205)	3 368 49
Office equipment	248 642	-	(526)	167	(48 499)	(6 533)	193 25
IT equipment	2 441 714	587 481	(11 491)	1 978	(658 227)	(60 541)	2 300 91
Community assets - land	38 590 000		-	1	-	-	38 590 00
Community assets - buildings	910 000	-	-	-	(45 500)	-	864 50
Disaster unit - building	2 536 834	-	-	-	(126 842)	-	2 409 99
Disaster unit Land	580 000	-	-	-	-	-	580 00
Leased assets	20 078	680 849	-	-	(43 928)	-	656 99
Other property, plant and equipment	76 453	9 889	-	331	(15 440)	(374)	70 85
	75 755 880	**2 856 227**	**(515 522)**	**3 332**	**(3 043 498)**	**(282 097)**	**74 774 32**

Pledged as security

None of the above property, plants and equipment have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

10. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	3 452 684	(876 572)	2 576 112	985 206	(593 708)	391 498

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Derecognition of SEBATA Softeware	Reversal of amortisation of derecognised software	Amortisation	Total
Computer software	391 498	2 508 579	(41 100)	41 100	(323 964)	2 576 112

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Assets not in use	Other changes, movements	Amortisation	Total
Computer software	476 489	9 898	(15 434)	16 543	(95 998)	391 498

Pledged as security

The intangible assets are not pledged as security.

Other information

The municipality procured SAGE Evolution software during the financial year.The municipality was using SEBATA Software and this was derecognised during the financial year.
A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

11. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	19 750	-	19 750	19 750	-	19 750

Reconciliation of heritage assets 2019

	Opening balance	Total
Mayoral chain	19 750	19 750

Reconciliation of heritage assets 2018

	Opening balance	Total
Mayoral chain	19 750	19 750

Assessment for impairment of Heritage assets

The Mayoral chain was assessed for impairment and there were no indications of impairment noted.

Pledged as security

The heritage assets are not pledged as security.

Expenditure incurred to repair maintain heritage assets

No such expenditure was incurred in relation to heritage assets.

Other information

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

12. Other financial liabilities

	2019	2018
At amortised cost		
DBSA loan	1 205 668	1 483 203
The loan accrues interest at a fixed rate of 9.64% (2018: 9.64%), and is repayable in 30 bi-annual instalments of R197 561 over 15 years.		
Non-current liabilities		
At amortised cost	810 545	1 007 987
Current liabilities		
At amortised cost	395 123	475 216

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

13. Finance lease obligation

	2019	2018
Minimum lease payments due		
- within one year	382 944	382 944
- in second to fifth year inclusive	319 120	702 064
	702 064	1 085 008
less: future finance charges	(205 322)	(426 420)
Present value of minimum lease payments	**496 742**	**658 588**
Present value of minimum lease payments due		
- within one year	228 729	161 846
- in second to fifth year inclusive	268 013	496 742
	496 742	**658 588**
Non-current liabilities	268 013	496 742
Current liabilities	228 729	161 846
	496 742	**658 588**

It is municipality policy to lease office equipment such as photocopying and printing machines under finance leases.

14. Payables from exchange transactions

	2019	2018
Trade payables	3 555 059	8 184 233
Payments received in advanced- contract in process	171 545	862 744
Payroll related liabilities at year end	219 662	273 903
Leave Pay Provision	3 392 399	4 148 121
Bonus Provision	1 645 057	1 368 914
Retention creditors	14 027	14 027
Water monitoring	-	86 054
Fleet card	-	54 525
	8 997 749	**14 992 521**

Payables are recognised net of any discounts.

As far as possible, payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

15. Employee benefit obligations

The employee benefit obligation relate to post-retirement medical aid benefits provided and long service awards.

Post-retirement Medical Aid Benefit and Long Service Award

	2019	2018
Present value of unfunded obligation at the beginning of the year	4 868 932	4 579 704
Net actuarial gains or losses	515 928	291 928
Difference between expected and actual current service costs	(422 461)	(360 869)
Interest cost	396 689	358 169
	5 359 088	**4 868 932**
Non-current liabilities	4 702 101	4 127 057
Current liabilities	656 987	741 875
	5 359 088	**4 868 932**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Employee benefit obligations (continued)

Medical Aid Benefit- Key Assumptions used

The Municipality provides post-employment medical aid benefits upon retirement to some retirees. The entitlement to post-employment medical aid benefits is based on special resolution by the council, or the terms of employment prevailing at the time the employees retired. The Municipality operates an unfunded defined benefit plan for these qualifying individuals. No other post-retirement benefit are provided to these individuals.

The actuarial valuation of the present value of the obligation at 30 June 2019 was carried out by Arch Actuarial Consulting. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.
Assumptions used at the reporting date for Medical Aid Benefit:

Discount rates used	8.21 %	9.04 %
Healthcare cost inflation rate	5.95 %	7.23 %
Net effective discount rate	2.13 %	1.69 %

	2019	2018
Present value of unfunded obligation at the beginning of the year	2 028 261	1 978 157
Actuarial gains/losses	290 442	109 168
Difference between expected and actual current service costs	(237 361)	(220 152)
Interest cost	172 858	161 088
	2 254 200	**2 028 261**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Employee benefit obligations (continued)

Long Service Awards- Key Assumptions

Discount rate	8 %	9 %
General salary inflation	6 %	6 %
Net effective discount rate	2	2

Long service awards

The municipality has an obligation to provide long service awards benefits to all its permanent employees. In terms of the municipalities policies and practice, permanent employees other than section 57 managers are entitled to a cash allowance, calculated in terms of the rules of the scheme, after 5, 10, 15, 20, 25, 30, 40 and 45 years of continued service. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The actuarial valuation of the present value of the obligation at 30 June 2019 was carried out by Arch Actuarial Consulting CC. The present value of the obligation, the related current service cost and past service cost, were measured using the projected unit credit method.

Present value of unfunded obligation at the beginning of the year	2 840 671	2 601 547
Net actuarial gains or losses	225 486	182 760
Difference between expected and actual current service costs	(185 100)	(140 717)
Interest cost	223 831	197 081
	3 104 888	**2 840 671**

Non-current liabilities	2 705 310	2 336 157
Current liabilities	399 578	504 514
	3 104 888	**2 840 671**

-

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Khotso Pula Nala unspent grant	30 197	-
Near grant	-	312 757
Fire grant	5 005	85 890
HIV and AIDS council	375 483	123 941
Rural road asset management grant	-	94 055
	410 685	**616 643**

The nature and extent of government grants recognised on these audited annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

17. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Reversed during the year	Total
Compensation for occupational injuries and disease	2 409 759	(2 409 759)	-

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Compensation for occupational injuries and disease	2 093 713	316 046	2 409 759

Management has performed a review of the prior year provision and concluded that the conditions that existed in the past no longer exists, therefore the provision has been derecognised.

18. Revaluation reserve

	2019	2018
Opening balance	55 386 620	55 386 620

The revaluation reserve is created by surplus arising from the revaluation of property, plant and equipment.

19. Rental of facilities and equipment

	2019	2018
Premises	118 862	105 916

20. Administration and management fees received

	2019	2018
Product related services	2 303 501	2 212 213
Telephone	-	51 563
Training	112 222	49 587
District planning tribunal	225 000	235 000
	2 640 723	**2 548 363**

21. Interest received

	2019	2018
Interest revenue		
Receivables from exchange transactions	1 003 567	210 781
Bank	877 689	1 143 330
	1 881 256	**1 354 111**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

22. Government grants and subsidies

Operating grants		
Equitable share	85 253 055	71 799 000
Fire grant	80 884	9 100
Near grant	430 531	275 293
Financial management grant	1 000 000	1 250 000
Expanded public works program	1 000 000	1 000 000
Rural roads asset management grant	1 983 000	1 884 945
HIV/AIDS grant	248 458	166 332
Infrastructure skills development grant	3 200 000	3 200 000
Khotso Pula Nala grant	3 969 803	-
Housing accreditation grant	700 000	950 000
	97 865 731	**80 534 670**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

22. Government grants and subsidies (continued)

Equitable share

The equitable share is a financial allocation from National Treasury in the form of an unconditional grant that enables municipalities to provide basic services to poor households, and to enable municipalities with limited own resources to afford basic administrative and governance capacity and perform core municipal functions.

	2019	2018
Current-year receipts	85 159 000	71 799 000
Conditions met - transferred to revenue	(85 159 000)	(71 799 000)
Net grant receivable	-	-

Financial management grant

	2019	2018
Current-year receipts	1 000 000	1 250 000
Conditions met - transferred to revenue	(1 000 000)	(1 250 000)
Net of unspent grants	-	-

The Financial management grant is paid by National Treasury to municipalities to help implement the financial reforms required by the MFMA.

Fire grant

	2019	2018
Balance unspent at beginning of year	85 890	94 990
Conditions met - transferred to revenue	(80 884)	(9 100)
Net of unspent grants	**5 006**	**85 890**

Kuruman is prone to natural disasters, mainly fires. This grant was used to assist local municipalities to upgrade and render a fire service.

Housing accreditation grant

	2019	2018
Current-year receipts	700 000	950 000
Conditions met - transferred to revenue	(700 000)	(950 000)
Net of unspent/(receivable) grants	-	-

The housing grant was utilised for the development of erven and the erection of top structures.

Khotso Pula Nala

	2019	2018
Balance unspent at beginning of year	-	31 619
Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(3 969 803)	-
Other	-	(31 619)
Net of unpaid grants	**30 197**	-

The grant related to infrastructure projects at the local municipalities in the district.

Near grant

	2019	2018
Balance unspent at beginning of year	312 757	238 050
Current-year receipts	-	350 000
Conditions met - transferred to revenue	(430 531)	(275 293)
Other	117 774	-
Net of unspent grants	-	**312 757**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

22. Government grants and subsidies (continued)

The grant was used to maintain the disaster management centre.

Expanded public works programme - incentive grant

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
Net of unspent/(unpaid) grants	-	-

The grant was used for debushing, fencing of graveyards as well as to address issues of unemployment as it is labour intensive.

Vanzylsrus sports field grant

Balance unspent at beginning of year	-	26 057
Conditions met - transferred to revenue	-	(26 057)
Net of unspent grants	-	-

The grant was used to build a sports field at Vanzylsrus; this project concluded in the prior year, and the balance was recognised to revenue.

HIV and AIDS council

Balance unspent at beginning of year	123 941	290 273
Current-year receipts	500 000	-
Conditions met - transferred to revenue	(248 458)	(166 332)
Net of unspent grants	**375 483**	**123 941**

The grant was used for HIV and AIDS awareness programmes.

Infrastructure skill development grant

Current-year receipts	3 200 000	3 200 000
Conditions met - transferred to revenue	(3 200 000)	(3 200 000)
Net of unspent grants	-	-

The grant was used to employ interns for training in civil engineering, building inspections and town planning.

Rural road asset management grant

Balance unspent at beginning of year	94 055	-
Current-year receipts	1 983 000	1 979 000
Withheld by National Treasury	(94 055)	-
Conditions met - transferred to revenue	(1 983 000)	(1 884 945)
	-	**94 055**

This grant is gazetted in the DORA to establish a road asset management system. The municipality uses these funds to employ interns to analyse and report on road usage.

Expanded Public Works Programme Incentive Grant: Brick making program

Current-year receipts	-	2 621
Conditions met - transferred to revenue	-	(2 621)

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

22. Government grants and subsidies (continued)

	-	-

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

23. Donations in kind

	2019	2018
Vanzylsrus sports field grant	-	26 057
Expanded public works programme - brick making grant	-	2 620
Khotso Pula Nala grant	-	31 619
Kalagadi Manganese Mine	345 974	-
	345 974	**60 296**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Employee related costs

Basic salary	39 502 940	35 789 510
Bonus	2 726 289	2 332 561
Medical aid - company contributions	2 754 954	2 813 205
Unemployment insurance fund	202 911	192 468
COIDA contribution	-	316 046
Skills development levy	273 647	492 275
Leave pay provision charge	674 640	1 515 607
Inconvenience allowance	163 716	66 566
Nightshift allowance	480 450	388 940
Long-service awards	375 507	249 669
Acting allowance	802 966	1 759 977
Travel allowance	1 538 363	2 434 676
Housing benefits and allowances	1 706 246	1 619 408
Contribution provident fund	209 868	317 538
Contribution pension fund	5 137 532	5 028 924
Contribution industrial council	9 590	9 281
Change in valuation of employee benefit obligations	-	(68 941)
Cellular phone allowance	94 668	244 544
	56 654 287	**55 502 254**

Remuneration of chief finance officer: G.P. Moroane

Annual Remuneration	902 067	840 482
Car Allowance	112 800	112 800
Cellular phone allowance	19 200	19 200
Remote allowance	66 789	22 403
Municipal contributions to funds	-	1 785
Back pay	25 924	80 468
Leave day payout	19 203	-
	1 145 983	**1 077 138**

Remuneration of acting director of infrastructure: M.W. Molusi

Annual Remuneration	831 353	793 788
Car Allowance	148 800	148 800
Cellular phone allowance	19 200	19 200
Remote allowance	69 456	21 966
Municipal Contributions to funds	-	1 785
Back pay	25 417	71 531
Acting allowance	-	263 279
	1 094 226	**1 320 349**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Employee related costs (continued)

Remuneration of director of corporate and human resources (corporate services): M. Ellerd

Annual Remuneration	-	64 499
Car Allowance	-	17 400
Cellular phone allowance	-	1 600
Municipal contributions to funds	-	157
Leave paid out	-	102 166
	-	**185 822**

Remuneration of director of community services: T.H. Matlhare

Annual Remuneration	787 549	732 067
Car Allowance	129 600	129 600
Cellular phone allowance	19 200	19 200
Remote allowance	63 819	20 183
Municipal contributions to funds	-	1 190
Back pay	23 355	72 494
Acting allowance	-	157 967
Leave day payout	17 300	-
	1 040 823	**1 132 701**

Remuneration of acting director of development and planning: K.K. Teise

Annual Remuneration	852 602	798 118
Car Allowance	169 764	169 764
Cellular phone allowance	19 200	19 200
Remote allowance	71 398	22 580
Municipal contributions to funds	-	1 785
Back pay	26 121	73 511
Leave paid out	19 349	47 036
Acting allowance	-	21 534
	1 158 434	**1 153 528**

Remuneration of acting director of corporate and human resources (corporate services): G. van der Westhuisen

Annual Remuneration	89 571	582 211
Car Allowance	18 236	109 414
Cellular phone allowance	1 600	9 600
Housing allowance	-	18 264
Municipal contributions to funds	-	142 188
Acting allowance	-	164 815
	109 407	**1 026 492**

Remuneration of municipal manager: D.H. Molaole

Car Allowance	28 800	9 600
Annual remuneration	1 200 980	389 802
Cellular phone allowance	19 200	6 400
Remote allowance	86 279	-
Back pay	31 574	-
Leave days payout	23 388	-
	1 390 221	**405 802**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Employee related costs (continued)

Appointed from 01 March 2018

Director Corporate services E Tshabaemang

Annual Remuneration	512 323	-
Car Allowance	174 000	-
Cellphone allowance	16 000	-
Remote allowance	38 351	-
Backpay	13 857	-
	754 531	-

The Director Corporate services was appointed on 01 September 2018.

25. Remuneration of councillors

Mayor, Speaker and Councillors	4 944 453	4 837 257

Councillor S.N. Bloem resigned on 23 May 2019.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

25. Remuneration of councillors (continued)

In-kind benefits

The executive mayor, speaker and mayoral committee members are full-time. Each is provided with an office and secretarial support at the cost of the council.

The executive mayor has use of a council owned vehicle for official duties.

Executive mayor: S. Mosikatsi

Annual remuneration	621 917	572 183
Car allowance	84 670	146 518
Municipal contributions to funds	103 235	77 213
Cellphone allowance	40 800	40 800
Mobile data allowance	3 600	3 600
Back pay	18 571	-
	872 793	**840 314**

Speaker: P.Q. Mogatle

Annual remuneration	508 216	489 701
Car allowance	95 510	88 618
Municipal contributions to funds	49 665	58 412
Cellphone allowance	40 800	42 800
Mobile data allowance	3 600	3 600
Back pay	14 857	-
	712 648	**683 131**

Member of the mayoral committee: A. Van Der Westhuizen

Annual remuneration	200 951	198 392
Car allowance	53 485	53 485
Cellphone allowance	40 800	40 800
Back pay	5 877	-
Mobile data allowance	3 600	3 600
	304 713	**296 277**

Member of the mayoral committee: G.C. Assegaai

Annual remuneration	350 809	351 703
Cellphone allowance	20 400	20 400
Mobile data allowance	1 800	1 800
Back pay	8 051	-
	381 060	**373 903**

Member of the mayoral committee: O.E. Hantise

Councillor allowance	-	50 640
Cellphone allowance	-	1 739
Mobile data allowance	-	300
	-	**52 679**

Member of the mayoral committee: M.E. Mochwari

Councillor allowance	-	53 524
Transport allowance	-	23 313

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
25. Remuneration of councillors (continued)		
Municipal contributions to funds	-	4 561
Cellphone allowance	-	3 478
Mobile data allowance	-	600
	-	**85 476**
Member of the mayoral committee: K.F. Masilabele		
Annual remuneration	561 366	572 435
Municipal contributions to funds	45 516	32 407
Cellphone allowance	40 800	40 800
Mobile data allowance	3 600	3 600
Back pay	13 928	-
	665 210	**649 242**
Member of the mayoral committee: T.G. Anthony		
Annual remuneration	256 073	296 686
Back pay	5 877	-
Cellphone allowance	40 800	15 300
Mobile data allowance	3 600	1 350
	306 350	**313 336**
Member of the mayoral committee: O.G. Monaki		
Annual remuneration	561 366	585 743
Municipal contributions to funds	45 516	11 193
Cellphone allowance	40 800	40 800
Back pay	13 928	-
Mobile data allowance	3 600	3 600
	665 210	**641 336**
Councillor: O.H. Kgopodithata		
Annual remuneration	72 555	78 009
Cellphone allowance	20 400	20 400
Mobile data allowance	1 800	1 800
Back pay	1 665	-
	96 420	**100 209**
Councillor: T.F. Molwangae		
Annual remuneration	236 868	225 760
Contributions to funds	19 206	26 117
Cellphone allowance	40 800	40 800
Mobile data allowance	3 600	3 600
Back pay	5 877	-
	306 351	**296 277**
Councillor: P.T. Ohentswe		
Annual remuneration	199 149	216 315
Contribution to funds	9 647	26 117
Car allowance	37 782	9 445
Cellphone allowance	40 800	40 800
Mobile data allowance	3 600	3 600
Back pay	5 877	-
	296 855	**296 277**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

25. Remuneration of councillors (continued)

Councillor: S.N. Bloem

Annual remuneration	320 904	296 686
Cellphone allowance	18 700	15 300
Mobile data allowance	1 650	1 350
	8 051	-
	349 305	**313 336**

26. Depreciation and amortisation

Property, plant and equipment	3 343 378	3 139 487

27. Finance costs

Current service cost on employee benefit obligations	396 689	-
Finance leases	209 800	362 548
Non-current borrowings	118 154	185 140
Penalty interest raised on VAT	-	348 381
Interest on employee benefit obligations	19 327	-
	743 970	**896 069**

28. Debt impairment

Additional amounts impaired	948 994	-
Contributions to debt impairment provision - trade receivables	-	142 040
	948 994	**142 040**

29. Transfers and subsidies

Cost of properties transferred	198 948	1 849 450

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

30. Operational costs

Advertising	25 512	121 291
Assessment rates	-	314 129
Auditors remuneration	2 346 421	2 669 838
Bank charges	112 324	89 425
Prior period expense	-	228 025
Business Advisory Services	1 921 225	3 537 347
Maintenance of Equipment	3 818 150	670 088
Bad debt written off	14 991	2 999
VAT penalties and assessments	192 572	1 915 603
Hire	1 490	-
Insurance premiums	463 203	349 556
Community development and training	634 010	50 900
Conferences and seminars	1 092 655	107 578
Maintenance of buildings and facilities	-	87 385
IT expenses	2 583 167	778 954
Fleet	-	751 276
Magazines, books and periodicals	-	1 405
Legal fees	1 639 715	1 636 630
Fuel and oil	-	6 000
Postage and Courier Services	1 374	7 105
Printing and stationery	371 207	95 853
Inventory Consumed	1 791 490	1 092 764
Repairs of community owned properties	4 155 952	3 129 362
Records management	-	13 800
Security services	1 354 811	1 336 228
Staff welfare	61 398	58 216
Membership fees	382 444	52 392
Telephone	487 121	553 533
Travel, subsistence and accommodation	1 900 967	2 242 256
Water quality monitoring	7 500	51 680
Uniforms	40 533	12 754
Tourism events	-	31 885
Study assistance	42 792	-
Infrastructure planning expenses	1 886 852	1 479 981
Imbizo events	19 150	1 562 291
Health and occupational awareness	-	1 100
Cleaning Services	1 307 619	95 703
Catering	-	100 866
Communications	52 662	66 186
Capacity building	373 231	2 382
	29 082 538	**25 304 766**

31. Fair value adjustments

Fair value adjustment on Investment property	(644 000)	-
Fair value adjustment on Biological assets	(2 549 662)	1 380 455
	(3 193 662)	**1 380 455**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

32. Cash generated from operations

	2019	2018
Surplus (deficit)	6 740 330	(5 718 157)
Adjustments for:		
Depreciation and amortisation	3 358 191	3 139 487
Loss on sale of assets and liabilities	-	261 412
Donations received	(345 974)	-
Fair value adjustments	3 193 662	(1 380 455)
Finance costs	-	896 069
Impairment deficit	-	282 097
Debt impairment	948 994	142 040
Prior period adjustments	-	523 157
Movements in retirement benefit assets and liabilities	490 156	289 228
Movements in provisions	(2 409 759)	316 046
Changes in working capital:		
Inventories	(48 417)	1 849 450
Receivables from exchange transactions	219 419	1 142 582
Consumer debtors	(948 994)	-
Other receivables from non-exchange transactions	946 945	(1 041 000)
Payables from exchange transactions	(5 994 772)	530 601
VAT	(457 441)	1 452 508
Unspent conditional grants and receipts	(205 958)	(66 966)
	5 486 382	**2 618 099**

33. Commitments

Authorised capital expenditure

	2019	2018
Already contracted for but not provided for		
• Property, plant and equipment	-	147 000
Total capital commitments		
Already contracted for but not provided for	-	147 000
Total commitments		
Total commitments		
Authorised capital expenditure	-	147 000

The municipality did not have any capital commitments as at 30 June 2019.

34. Contingencies

Contingent liabilities

Matters disclosed in 2018

- The municipality is defending a claim by M.Mosiapoa amounting to R600 000, with estimated legal costs of R150 000
- The municipality has received a claim by Solidarity on behalf of Du Toit, relating to medical aid contributions, amounting to R104 340, with estimated legal costs amounting to R65,660.

The following are new issues arising in 2019:

- Case No: JS229/17: Imatu obo Rossouw & Van Der Merwe V John Taolo Gaetsewe Municipality, alleged unfair labour amounting to R300 000 and legal cost amounting to R100 000.
- John Taolo Gaetsewe District Municipality is in a litigation claim which could result to a total cost of R 120 668.00 including legal costs.
- The municipality is in dispute with an IT service provider, with regards to the invoices raised for the periods April 2018, May 2018, September 2018, October 2018 and January 2019 which amount to R1 177 843.57. The dispute was as a result o f the service provider failing to submit progress reports to the municipality to substantiate the work that was being billed for.As at 30 June 2019, the service provider had not provided the progress reports to this regard. The municipality also engaged Treasury to ensure that they are aware of the dispute and to intervene. The liability due to the service provider could therefore not be measured with sufficient reliability.

Contingent assets

During 2018 the municipality considered an amount of R127 008 to be a contingent asset. This related to an error that was made when salaries were processed which was considered to be owed by the affected employees. In the current year management has considered the likelihood of any further recoveries on this amount to be remote, therefore no contingent asset will be recognised.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

35. Related parties

Members of key management	Refer to note 24
Councillors	Refer below and to note 25
Subject to significant degree of control by a member of key management	John Taolo Gaetsewe Development Trust

Related party balances

	2019	2018
Amounts included in Receivables from exchange transactions regarding related parties		
John Taolo Gaetsewe Development Trust	19 597	9 005
Irregular expenditure, interest and other amounts recoverable from councillors		
T.G Anthony	255	2 536
G.C Assegaai	17 494	28 654
S.B. Gaobusiwe	156 597	165 788
O.E. Hantise	160 336	161 012
E.V. Makoke	88 222	92 264
M.E. Mochwari	192 562	197 336
C. Mogodi	170 058	117 750
S Mosikatsi	185 103	196 435
A. Mwembo	64 327	69 565
J. Rakoi	57 446	63 094
A. van der Westhuizen	61 911	70 503

The municipality leases one of its buildings to the John Taolo Gaetsewe Development Trust; Interest is charged on over-due amounts.

All councillors and senior managers are required to declare their business interests annually. Such business interests are listed below:

Councillors:

G.C. Assegaai	Gadikgadi, Aleta Melokoe Trading; Self-Propelled Trading and Projects
S.N. Bloem	Bomme Fefo
O.E Hantise	Gamagara Close Corporation; Olifantshoek Cooperative
L.L. Kaebis	Sepoane Trading Enterprise
O.H. Kgopodithata	Dipudi Faraway Project
K. Makwati	Kgalagadi Brick Company
P.Q. Mogatle	Pulane Mogatle Trading Enterprise; Ubuntu Botho Shareholder
P. Ohentswe	PJO Contractor, Letso Investment, Perth 1 Shop Station and Shop, Ohentswe Construction supply & Training Construction
A.B. van der Westhuizen	ACSB Reaction and PI Services; Kuruman Fotolab; Taylor and Nager Attorneys.

Senior management:

T.H. Matlhare	Just Released Trading 505
D.H. Molaole	Maverick Trading 1640 cc
M.W. Molusi	Bom Transportation Services
K. Teise	Strong Team Construction; Protect 8, Kuruman Development Corporation, United Power Construction

No transactions were entered into with these entities during the 2019 year.

Those councillors and senior managers not listed above declared that they had no business interests.

Councillors seconded from local municipalities:

Gamagara Local Municipality

35. Related parties (continued)

A. Booysen
H. Du Plessis
O.E. Hantise

Ga-segonyana Local Municipality

G.C. Assegaai
S.N. Bloem
K. Makwati
O. Mathibe
N.G. Thupaemang
O.A. Leserwane

Joe Morolong Local Municipality

L. Gwai
L.L. Kaebis
G. Kaotsane
O.H. Kgopodithata

36. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2019	Less than 1 year	Between 1 and 5 years
Financial liabilities	395 123	810 545
Finance lease obligations (Undiscounted)	382 944	319 120
Finance lease obligations (Discounted)	228 729	268 013
Unspent conditional grants	410 665	-
Payables from exchange transactions	8 997 750	-

At 30 June 2018	Less than 1 year	Between 1 and 5 years
Financial liabilities	475 216	1 007 987
Finance lease obligations (Discounted)	161 846	496 742
Finance lease obligations (Undiscounted)	382 944	702 064
Unspent conditional grants	616 643	-
Payables from exchange transactions	14 992 521	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Market risk

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

36. Risk management (continued)

Interest rate risk

The Municipality's interest rate risk arises from long-term borrowings. Borrowings arises at fixed rates, which expose the Municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the Municipality to fair value interest rate risk. During 2019 and 2018, the Municipality's borrowings at variable rate were denominated in the Rand.

37. Going concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. We draw attention to the fact that at 30 June 2019, trade payables were more than cash on hand.

38. Events after the reporting date

There were no events after reporting date.

39. Unauthorised expenditure

	2019	2018
Unauthorised expenditure	32 030 553	19 490 781
Current year unauthorised expenditure	-	12 539 772
	32 030 553	**32 030 553**

Municipality is holding discussions with the National Treasury regarding the condonation of the R 32 060 553 unauthorised expenditure.

40. Fruitless and wasteful expenditure

	2019	2018
Opening balance	2 337 749	55 556
Current year fruitless and wasteful expenditure	196 017	18 209
Identified in the current year relating to prior years	(882)	2 263 984
	2 532 884	**2 337 749**

Fruitless and wasteful expenditure is awaiting condonation by National Treasury

41. Irregular expenditure

	2019	2018
Opening balance	20 997 814	20 632 434
Add: Irregular Expenditure - current year	-	365 380
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	20 997 814	**20 997 814**

Analysis of expenditure awaiting condonation per age classification

	2019	2018
Current year	-	365 380
Prior years	20 997 814	8 321 529
	20 997 814	**8 686 909**

Municipality is holding discussions with the National Treasury regarding the condonation of the R 20 997 814 irregular expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	634 010	629 323
Amount paid - current year	(634 010)	(629 323)
	-	-

Audit fees

Current year subscription / fee	2 346 421	2 670 379
Amount paid - current year	(2 346 421)	(2 670 379)
	-	-

SDL and UIF

Current year subscription / fee	476 558	684 743
Amount paid - current year	(476 558)	(684 743)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	7 892 486	7 565 585
Amount paid - current year	(7 892 486)	(7 565 585)
	-	-

VAT

VAT receivable	493 505	36 064

All VAT returns have been submitted by the due date throughout the year.

43. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	1 205 668	1 483 203

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

44. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the Municipal Manager may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Municipal Manager and includes a note to the Annual Financial Statements.

The following tables shows the amounts of deviation and reasons for deviation:

Reason for deviation	**2019**	**2018**
Emergency	3 970 880	-
Sole supplier	115 912	165 486
Impractical or impossible to follow procurement process	1 440 433	818 952
	5 527 225	**984 438**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

45. Budget differences

Material differences between budget and actual amounts

STATEMENT OF FINANCIAL PERFORMANCE

1- Rental of facilities:The municipality budgeted for more revenue in comparison to the actual amount billed hence the 4.2% difference.
2- Adminstration and management fees received: Revenue from management fees was less than anticipated as the municipality did not render services to Gamagara Local Municipality for internal audit shared services.
3- Interest received: Interest received was more than anticipated due to proper investment monitoring.
4- Government grants and subsidies:
5- Employee related costs: The variance is as a result of vacant positions that were budgeted for but were not filled during the year.
6- Remuneration of councillors: Actual Remuneration of Councillors is lower as committee member and seating allowance was budgeted for under operational costs due to the new mSCOA version 6.2.
7- Depreciation and amortisation:The budget for depreciation and amortisation was based on an incomplete calculation.
8- Impairment loss: The budget did not provide for impairment of assets, which is inherently unpredictable.
9- Finance costs:The budget did not account for interest on the employee benefit obligation as this requires an expert.
10- Debt impairment: the budget was based on the debtors amount before taking into account the irregular expenditure for Councillors remuneration backpay.
11- Contracted services: Contracted services is lower than budgeted due to cost containment measures that were implemented effectively during the year.
12- Transfers and subsidies: Transfers and subsidies were lower than budgeted due to cost containment measures that were implemented during the year .
13- Operational costs: Operational expenditure were higher than budgeted for due to reclassifications as per mSCOA version 6.2.
14- Loss on disposal of assets: No budget was raised for loss on disposal of assets as this is difficult to predict.
15- Fair value adjustments: There was a fair value loss on the investment property assets. It is not practical to estimate this in advance as this would require an expert and is volatile in nature.
16- Actuarial gains/loss: No budget was raised for this as it is not practical to estimate actuarial gains/loss in advance. The nature of the valuation requires an expert.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

45. Budget differences (continued)

STATEMENT OF FINANCIAL POSITION

1- Inventories: Inventories was lower than budgeted as the municipality implemented cost containment measures during the year.
2- Receivables from exchange transactions: The municipality did not provide internal audit shared services to one of the local municipalities. The budgeted amount is higher as the municipality anticipated to have a receivable from internal shared services provided to local municipalities.
3- Receivables from non-exchange transactions: The municipality did not budget for the amount deducted by National Treasury for Equitable share.National Treasury is yet to refund the amount.
4- Cash and cash equivalents: The municipality was more liquid compared to the anticipated position as a result of the cost containment measures that were implemented effectively.
5- Biological assets: The budget for biological assets was in line with the prior year.
6- Investment property: The amounts budgeted for were in line with prior year audited balances. The decrease on the actuals is as a result of the decrease in property values as at year end based on the independent valuation reports.
7- Property, plant and equipment: The actual amount is lower than budgeted as the municipality did not procure more assets as anticipated.
8- Intangible assets: The variance is as a result of software licenses that were procured during the year.
9- Heritage assets: The variance between the actual and budgeted of R250 is insignificant
10- Other financial liabilities:The municipality did not budget for the current portion of other financial liabilities. Everything was budgeted for under non current liabilities. The municipality paid more than anticipated for the DBSA loan hence the lower budgeted amount.
11- Financial lease obligation: The municipality did not budget for finance lease obligation.
12- Payables from exchange transactions: Payables vary with operational activity, and it was anticipated that the creditors would be less than actual as the municipality anticipated to be liquid and have settled most payables..
13- VAT payable: VAT was not budgeted for due to it being unpredictable if purchases will be made from a VAT vendor or not.
14- Employee benefit obligation: The current portion of the employee benefits obligations is not budgeted for due to its complexity as it requires an expert.
15- Unspent conditional grants: The municipality did not utilise the unspent grants as anticipated.
16- Provisions: The municipality reversed the Provision during the current year hence the difference between budgeted and actual amount.

46. VAT receivable

	2019	2018
VAT receivable	493 505	36 064

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

47. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2018

	As previously reported	Correction of error	Restated
VAT (payable)/VAT Receivable	(422 727)	458 830	36 103
Property, plant and equipment	74 336 458	437 864	74 774 322
Payables from exchange transactions	(13 859 876)	(1 132 645)	(14 992 521)
Accumulated surplus	(29 601 584)	235 989	(29 365 595)

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

47. Prior-year adjustments (continued)

Statement of financial performance

2018

	As previously reported	Correction of error	Re-classification	Restated
Contracted services	(259 213)	-	259 213	-
Operational costs	(24 084 533)	(961 020)	(259 213)	(25 304 766)
Gain on assets previously not on asset register	-	437 864	-	437 864
	(24 343 746)	**(523 156)**	-	**(24 866 902)**

Prior period balances were restated as a result of the following:

VAT payable was restated by R386 663 as a result of input VAT which had not been claimed from SARS.
Property, plant and equipment was restated by R437 864 as a result of the differences between the Asset register and the Annual Financial Statements and also as a result of existing assets which had not been recorded in the asset register
Payables were also restated by R1 132 645 as a result of expenditure that had been incurred in 2018 but not not accrued for in 2018.
Accumulated surplus was restated as a result of the net effect of Operational expenses of R961 020, Gain on assets not previously on asset register of R437 864 and the effect of Opening accumulated surplus adjustment of R287166.
Opening accumulated surplus was adjusted by R287 166 as a result of input VAT which had not been claimed in prior years.

An amount of R259 213 was reclassified from Contracted services to Operational costs to ensure that expenditure is accounted for by nature.
Operational costs were also restated by R961 020 as a result of expenditure that was incurred in 2018 but not accrued for in 2018.

An amount of R437 864 was credited to Gains on assets not previously on asset register as a result of the differences between the Asset register and the Annual Financial Statements and also as a result of existing assets which had not been recorded in the asset register .

48. Reassessment of useful lives

During the year, management conducted a conditional assessment of assets and re-evaluated the useful lives of assets based on their conditions. This led to a decrease in the depreciation charged of R259 460. The effects of the change in estimates of the useful lives across all categories of depreciable assets is as follows:Additional text

	Depreciation expense	Property Plant and Equipment
Before Change in Estimate	3 293 688	72 095 332
After Change in Estimate	(3 034 228)	(72 354 792)
	259 460	**(259 460)**